

Message Text

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ORIGIN COME-00

INFO OCT-01 EA-12 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00
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STR-07 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02 OMB-01
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P 132152Z SEP 78
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO PRIORITY
INFO USMISSION GENEVA PRIORITY

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USMTN FOR GENEVA

E.O. 11652: N/A

TAGS:ETRD, JA, MTN

SUBJECT: TRADE FACILITATION COMMITTEE CASES ON CIGARETTES
AND CIGARS

REF: (A) TOKYO 15204 (B) TOKYO 14524 (C) GENEVA 10859
(D) STATE 188097

1. COMMERCE APPRECIATES EMBASSY INITIATIVE AND COMMENTS
IN REFTTEL A RE PROPOSED CONSULTATIONS WITH JAPAN TOBACCO
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AND SALT PUBLIC CORPORATION (JTS) AND MINISTRY OF FINANCE
(MOF) ON THE TFC CIGARETTE CASE. WE REGRET DELAY IN
RESPONDING TO EMBASSY PROPOSAL FOR MID-SEPTEMBER
CONSULTATIONS WITH JTS ON "COMMERCIAL" OR "MARKETING"
CONSIDERATIONS, WHICH WAS DUE TO OUR NEED TO DISCUSS
PROPOSED MEETING DIRECTLY WITH INTERESTED U.S. FIRMS. THE
CONSENSUS NOW IS THAT CONSULTATIONS WITH JAPANESE OFFICIALS

SHOULD TAKE PLACE IN MID-OCTOBER RATHER THAN MID-SEPTEMBER AND SHOULD INCLUDE, IF GOJ AGREES, BOTH U.S. GOVERNMENT - U.S. INDUSTRY CONSULTATIONS WITH JTS AND GOVERNMENT-TO-GOVERNMENT CONSULTATIONS ON PRICING, AND THAT THESE CONSULTATIONS SHOULD INCLUDE THE TFC CASE ON CIGARS (REFTEL D) AS WELL AS THAT ON CIGARETTES.

2. REPRESENTATIVES OF THE U.S. CIGARETTE AND CIGAR INDUSTRIES CONTACTED HERE ALL AGREED THAT MID-SEPTEMBER TIMING FOR INITIAL MEETING WITH JTS IN TOKYO LEFT INSUFFICIENT TIME FOR PREPARATION. ALTHOUGH PARA 3 REFTEL (A) INDICATES THAT JTS PROPOSED MEETING WITH A SINGLE REPRESENTATIVE OF AMERICAN MANUFACTURERS RATHER THAN INDIVIDUALLY WITH EACH FIRM AND FURTHER PROPOSED AMERICAN TOBACCO INSTITUTE AS POSSIBLE SINGLE REPRESENTATIVE, OUR DISCUSSIONS WITH INDUSTRY REPRESENTATIVES HERE AND WITH TOBACCO INSTITUTE INDICATE THAT INDIVIDUAL FIRMS HAVE ALREADY BEEN CONTACTED ON BEHALF OF JTS. TOBACCO INSTITUTE, IN ANY CASE, DOES NOT REPEAT NOT WISH TO PARTICIPATE AT ALL INCONSULTATIONS WITH JTS AND THIS LEAVES NO ALTERNATIVE BUT TO ALLOW PARTICIPATION BY REPRESENTATIVES FROM EACH INTERESTED FIRM (TENTATIVELY INCLUDING R.J. REYNOLDSBROWN AND WILLIAMSON, AND THE CIGAR ASSOCIATION). FURTHERMORE, COMMERCE STRONGLY BELIEVES THAT CONSULTATIONS BETWEEN JTS AND U.S. INDUSTRY SHOULD INCLUDE U.S. GOVERNMENT REPRESENTATION SINCE UNCLASSIFIED

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TFC INVOLVES U.S. GOVERNMENT RESPONSIBILITY AND OUR CASE WILL BE BETTER HANDLED IF THE U.S. GOVERNMENT AND INDUSTRY PRESENT A "UNITED FRONT" AND REMAIN IN CLOSE COORDINATION IN ALL ASPECTS OF THE CASE.

3. A MID-OCTOBER TIMING FOR CONSULTATIONS WILL ALLOW COMMERCE AND INDUSTRY REPRESENTATIVES SUFFICIENT TIME TO PREPARE FOR MEETING WITH JTS. IN ADDITION, WE BELIEVE THAT THE GOVERNMENT-TO-GOVERNMENT CONSULTATIONS WITH MOF ON PRICING SHOULD BE HELD, IF AT ALL POSSIBLE, IMMEDIATELY FOLLOWING THE GOVERNMENT AND INDUSTRY-TO-JTS CONSULTATIONS ON "COMMERCIAL" CONSIDERATIONS SUCH AS DISTRIBUTION AND ADVERTISING, SINCE THIS WOULD EXPEDITE THE CASE, ENABLE OUR GOVERNMENT REPRESENTATIVES TO CALL UPON INDUSTRY EXPERTS AT THE TIME OF DISCUSSIONS WITH MOF, AND BRING TOGETHER THE PRICING AND OTHER CONSIDERATIONS WHICH ARE IN FACT NOT SEPARABLE ISSUES BUT DIFFERENT ASPECTS OF THE SAME CASE.

4. IN A SIMILAR MANNER, WE BELIEVE THE CIGAR ASSOCIATION AND THE TFC CASE ON CIGARS MUST BE INCLUDED IN THE CONSULTATIONS. THE ORIGINAL SUGGESTION BY JAPANESE

OFFICIALS IN GENEVA IN RESPONSE TO OUR MTN REQUEST CONCERNING MANUFACTURED TOBACCO (BOTH CIGARETTES AND CIGARS) WAS TO DISCUSS IMPROVED ACCESS FOR CIGARETTES IN THE TFC. THE SUBSEQUENT AGREEMENT WITH ASSISTANT SECRETARY WEIL ALSO REFERRED EXCLUSIVELY TO CIGARETTES SINCE THE TFC CASE ON CIGARS HAD NOT YET BEEN FORWARDED TO THE GOJ BY THE EMBASSY. ALTHOUGH THE TFC CASES ON CIGARETTES AND CIGARS WERE ORIGINALLY SUBMITTED SEPARATELY, IT APPEARS TO US THAT WE NEED TO OBTAIN A GOJ COMMITMENT TO DISCUSS IMPROVED ACCESS FOR CIGARS IN THE TFC, THAT THE CIGAR ASSOCIATION

IS ENTITLED TO TFC TREATMENT SIMILAR TO THAT AFFORDED CIGARETTE MANUFACTURERS, AND THAT THE CIGAR TFC CASE SHOULD THEREFORE BE INCLUDED IN THESE CONSULTATIONS, IF UNCLASSIFIED

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ONLY TO AVOID A SEPARATE SET OF CONSULTATIONS ON ESSENTIALLY SIMILAR ISSUES.

5. WE HOPE TO INFORM INDUSTRY ASAP OF RESULTS OF ACTION REQUESTED PARA 6 SO AS TO BE IN A POSITION TO MEET WITH THEM BEFORE THE END OF SEPTEMBER, IF PROPOSAL ACCEPTED.

6. ACTION REQUESTED: REQUEST EMBASSY PROPOSE TO JTS AND MOF TFC CONSULTATIONS OF TYPE DESCRIBED ABOVE CONCERNING CIGARETTES AND INFORM USDOC (D. BUSINGER) ASAP OF RESULTS. IF EMBASSY DOES NOT CONCUR WITH ABOVE SUGGESTIONS, PLEASE NOTIFY WASHINGTON AT ONCE. CHRISTOPHER

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